

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Cherry Grove Township	County Wexford
Audit Date 6/30/05	Opinion Date 9/8/05	Date Accountant Report Submitted to State: October 24, 2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

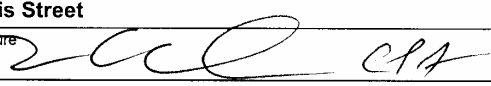
We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name) Baird, Cotter and Bishop, P.C.			
Street Address 134 W. Harris Street		City Cadillac	State MI
Accountant Signature 		ZIP 49601	Date 10/24/05

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

JUNE 30, 2005

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2005

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CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

JUNE 30, 2005

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 8, 2005

INDEPENDENT AUDITORS' REPORT

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of and for the year ended June 30, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Cherry Grove Township, Wexford County, Cadillac, Michigan, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages iii through xi and budgetary comparison information on pages 25-29 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Cherry Grove Township, Wexford County, Cadillac, Michigan's basic financial statements. The combining and individual fund financial statements, and other supplementary information are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Cherry Grove Township, a general law township located in Wexford County has implemented the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). The Management's Discussion and Analysis, is intended to be the Cherry Grove Township board's discussion and analysis of the financial results for the fiscal year ended June 30, 2005.

Financial Highlights Section

- The assets of the Township exceeded its liabilities at the close of the fiscal year by \$2,309,459. Of this amount, \$1,250,940 may be used to meet the township's ongoing obligations to citizens and creditors.
- As of the close of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$601,101 an increase of \$96,816 in comparison with the prior year. About 72.04% is available for spending at the Township's discretion.
- The Township's total debt is \$13,524. The total debt decreased by \$3,740 during the fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Township's basic financial statements. The Township's basic financial statements are comprised of three components. 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements This report includes government-wide financial statements as required by GASB Statement Number 34. The *government-wide financial statements* are designed to provide readers with a broad overview of the Township's finances, in a manner similar to a private-sector business. These statements are calculated using full accrual accounting and more closely represent those presented by business and industry. The entire Township's assets and liabilities, both short and long-term, are reported. As such, these statements include capital assets, net of related depreciation.

The *Statement of Net Assets* presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Township is improving or deteriorating.

The *Statement of Activities* presents information showing how the Township's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Both of the government-wide financial statements distinguish functions of the Township's that are principally supported by taxes and intergovernmental revenues (governmental activities) from functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the Township include legislative, general government and administration, public safety, public works, cultural and recreation, debt service, and other functions. The business-type activities of the Township include Sewer operation.

Fund Financial Statements

The fund level statements are reported on a modified accrual basis in that only those assets that are "measurable" and "currently available" are reported. Liabilities are recognized to the extent they are normally expected to be paid with current financial resources. All of the funds of the Township can be divided into two categories - governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statement, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provides a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Proprietary Funds – The Township maintains one proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The Township uses enterprise funds to account for its sewer operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Sewer Fund since it is considered to be a major fund of the Township.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Other Information

In addition to the basic financial statements, this report further presents Required Supplementary Information (RSI) that explains and supports the information presented in the financial statements.

Government-Wide Financial Analysis

The Statement of Net Assets is the first statement in the Government-Wide Financial Statements section of this document. This statement is useful for providing an indicator of the Township's financial position over time. The Net Assets of the Township are \$2,309,459 at June 30, 2005, meaning the Township's assets were greater than its liabilities by this amount. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. A comparison with the previous fiscal year is presented in order to show the change in Net Assets over the previous fiscal year.

Cherry Grove Township							
Net Assets							
	Governmental		Business-Type		Total Primary		
	Activities		Activities		Government		
	2005	2004	2005	2004	2005	2004	
Current Assets	\$ 923,623	\$ 544,491	\$ 648,822	\$ 634,829	\$ 1,282,279	\$ 1,179,320	
Non Current Assets							
Capital Assets	933,623	906,377	1,269,562	1,269,562	2,193,185	2,175,939	
Less: Accumulated Depreciation	460,971	403,775	660,171	634,780	1,121,142	1,038,555	
Total Non Current Assets	462,652	502,602	609,391	634,782	1,072,043	1,137,384	
Total Assets	\$ 1,096,109	\$ 1,047,093	\$ 1,258,213	\$ 1,269,611	\$ 2,354,322	\$ 2,316,704	
Liabilities							
Current Liabilities	\$ 35,270	\$ 36,727	\$ 0	\$ 0	\$ 35,270	\$ 36,727	
Long-Term Liabilities	9,593	13,524	0	0	9,593	13,524	
Total Liabilities	44,863	50,251	0	0	44,863	50,251	
Net Assets							
Invested in Capital Assets -							
Net of Related Debt	449,128	485,338	609,391	634,782	1,058,519	1,120,120	
Restricted for Public Safety							
and Recreation and Culture	168,063	163,857	0	0	168,063	163,857	
Unrestricted	434,055	347,647	648,822	634,829	1,082,877	982,476	
Total Net Assets	1,051,246	996,842	1,258,213	1,269,611	2,309,459	2,266,453	
Total Liabilities							
and Net Assets	\$ 1,096,109	\$ 1,047,093	\$ 1,258,213	\$ 1,269,611	\$ 2,354,322	\$ 2,316,704	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

The most significant portions of the Township's Net Assets are cash and investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt that is outstanding that the Township used to acquire or construct the asset. The Township has \$1,082,877 in unrestricted Net Assets. These assets represent resources that are available for appropriation, but are limited by Township policies regarding their use.

At the end of the current fiscal year, the Township is able to report positive balances in all categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

The total net assets of the Township increased by \$43,006 or 1.9% in this fiscal year, which is a good indicator that the Township experienced positive financial growth during the year. As a result, the Township ended the fiscal year in better condition than when the year began.

The following table illustrates and summarizes the results of the changes in the net assets for the Township. The condensed information was derived from the government-wide Statement of Activities.

Cherry Grove Township							
Change in Net Assets							
	Governmental Activities		Business-Type Activities		Total Primary Government		
	2005	2004	2005	2004	2005	2004	
<u>Revenues</u>							
Program Revenues							
Charges for Services	\$ 56,458	\$ 55,627	\$ 103,513	\$ 107,425	\$ 159,971	\$ 163,052	
Operating Grants and Contributions	33,887	26,880	0	0	33,887	26,880	
Capital Grants and Contributions	0	3,290	0	0	0	3,290	
General Revenues							
Taxes and Assessments	171,584	164,460	0	0	171,584	164,460	
State Shared Revenue	180,502	161,778	0	0	180,502	161,778	
Unrestricted Investment Earnings	9,442	3,390	11,341	3,233	20,783	6,623	
Gain on Sale of Capital Assets	600	2,100	0	0	600	2,100	
Other	699	46	0	0	699	46	
Total Revenues	\$ 453,172	\$ 417,571	\$ 114,854	\$ 110,658	\$ 568,026	\$ 528,229	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
<u>Expenses</u>						
Legislative	\$ 13,249	\$ 6,350	\$ 0	\$ 0	\$ 13,249	\$ 6,350
General Government,						
Administrative	158,087	139,816	0	0	158,087	139,816
Public Safety	117,371	98,607	0	0	117,371	98,607
Public Works	1,003	5,372	0	0	1,003	5,372
Recreation and Culture	82,543	72,404	0	0	82,543	72,404
Other Functions	25,739	25,750	0	0	25,739	25,750
Interest on Long-term Debt	776	3,388	0	0	776	3,388
Sewer	0	0	126,252	127,387	126,252	127,387
Total Expenses	\$ 398,768	\$ 351,587	\$ 126,252	\$ 127,387	\$ 525,020	\$ 479,074
Change in Net Assets	54,404	65,884	(11,398)	(16,729)	43,006	49,155
<u>NET ASSETS –</u>						
Beginning of Year	\$ 996,842	\$ 930,958	\$ 1,269,611	\$ 1,286,340	\$ 2,266,453	\$ 2,217,298
<u>NET ASSETS –</u>						
End of Year	\$ 1,051,246	\$ 996,842	\$ 1,258,213	\$ 1,269,611	\$ 2,309,459	\$ 2,266,453

Governmental Activities

During the fiscal year ended June 30, 2005, the Township's net assets increased by \$54,404 or 5.46% in the governmental funds. The majority of this increase represents the degree to which increases in ongoing revenues have outstripped similar increases in ongoing expenses. This is true despite the fact that GASB 34 now requires the Township to maintain a record of annual depreciation expense and the accumulation of depreciation expense over time. The net increase in accumulated depreciation expense is a reduction in net assets.

The most significant part of the revenue for all governmental activities of Cherry Grove Township comes from state shared revenues. State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes.

The Township levied operating and fire protection millages, this fiscal year. As a result, current property tax revenue increased by \$5,316 or 3.81%. The Township levied 0.7748 mills for operating purposes and 0.9664 mills for fire protection.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

The Township's governmental activities expenses are dominated by general governmental expenses that total 39.64% of total expenses. The Township spent \$158,087 in fiscal year 2005 on general administrative expenses. Public safety represented the next largest expense at \$117,371.

Business-Type Activities

The Township utilizes a Sewer Fund to account for its sewer operations. Revenue is collected from customers within the Township. These charges for services totaled \$103,513 for 2005. The Township pays the Wexford County Department of Public Works for Township sewer services which accounted for \$100,839 of the Sewer Funds expenses or 79.87 %. Depreciation expense of \$25,391 accounted for the next largest expense or 20.11 %.

Sewer operations experienced a 0.90% decrease in net assets. This is due mainly to the deduction for depreciation expense on the capital assets and the investment valuation write down on investments.

The Sewer Fund is the Township's only Business-Type activity.

Financial Analysis of the Government's Funds

Governmental Activities The focus of Cherry Grove Township's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Township's financing requirement. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, Cherry Grove Township's governmental funds reported combined ending fund balances of \$601,101. Approximately 72.04% of this total amount (\$433,038) constitutes unreserved fund balance. The remainder of the fund balance is reserved for specific purposes and is therefore not available for new appropriation. For example, the fund balance that is reserved for fire protection must be used for expenditures, such as capital outlay, that will enhance fire protection.

General Fund – The General Fund decreased its fund balance by \$100,063, which brings the fund balance to \$174,163. Of the General Fund's fund balance, \$174,163 is unreserved.

Property tax revenues increased by 5.01% or \$4,394. State shared revenues increased by \$20,581 from the prior year. A transfer of \$165,000 was made to Capital Improvement Revolving Fund to set aside funds specifically for long-term goals, which was the main reason for the decrease in fund balance. The general fund also transferred \$20,000 to the Municipal Street Fund.

Municipal Street Fund – The Road Improvement Fund increased its fund balance by \$26,615, which brings the fund balance to \$91,692. The balance is designated to be used for road improvements.

The majority of the sources of revenue that funds the Municipal Street Fund is a transfer from the General Fund. The General Fund provided 74.37% of the revenues. There are currently two subdivision road projects planned for fall 2005 and one possible petition for a county local road project in 2006.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

The township elected to make the Municipal Street Fund a major fund under the guidelines of the new GASB 34 accounting standard because it was one of two funds that would have been classified as non-major.

Fire Fund – The Fire Fund increased its fund balance by \$17,502, which brings the fund balance to \$120,919. This balance is reserved and must be used for fire protection. Specifically, the funds will be applied towards a rescue truck that should be completed in 2006.

The Township did levy a fire millage on the 2004 tax roll. Tax related revenues totaled \$80,436 a 4.86% increase, for the current fiscal year. All of the Fire Funds functions, except for the debt service function, ended the year with expenditures below budgeted amounts. The debt service differential is minor and was funded by available fund balance.

Liquor Law Enforcement Fund – The Liquor Law Enforcement Fund decreased its fund balance by \$133, which brings the fund balance to \$992. This balance is designated to be used for liquor law enforcement.

The township elected to make the Liquor Law Enforcement Fund a major fund under the guidelines of the new GASB 34 accounting standard because it was one of two funds that would have been classified as non-major.

Lake Improvement Fund – The Lake Improvement Fund decreased its fund balance by \$13,296, which brings the fund balance to \$47,144. This balance is reserved and must be used for lake improvement. This fund is run by a board appointed by various entities with an interest in Lake Mitchell. The Township's role is mainly as a recordkeeping function as one of the establishing entities.

Capital Improvement Revolving Fund – The Capital Improvement Revolving Fund increased its fund balance by \$166,191. This is a new fund created by the Township Board to set aside funds specifically for long –term goals. The balance is designated to be used for Public Improvements.

The majority of the sources of revenue that funds that Capital Improvement Revolving Fund is a transfer from the General Fund. The General Fund provided \$165,000 or 99.28% of the revenues.

Proprietary Fund The Township's proprietary fund provides the same information as the government-wide statements.

Sewer Fund – The Sewer Fund ended the fiscal year with a decrease in net assets of \$11,398. This is due largely to the deduction of depreciation expense on the Fund's capital assets and a write down of the funds investments to fair market value. Despite the decrease in net assets, the Fund is still in stable condition. A positive change in cash flows illustrates that actual cash inflows are higher than cash outflows.

Over time the fund should experience positive cash flow in order to afford future repairs and replacements of the sewer system.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Capital Assets and Debt Administration

Capital Assets. The Township's investment in capital assets for governmental and business-type activities as of June 30, 2005 amounted to \$1,072,043 net of accumulated depreciation. The total net increase in the Township's investment in capital assets for the current fiscal year was 1.92% entirely in the governmental activities.

Capital assets summarized below include any items purchased with a cost greater than \$1,000 individually and that have a useful life greater than one year. A summary of capital asset categories is illustrated below:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2005	2004	2005	2004	2005	2004
Land and Land Improvements	\$ 6,155	\$ 6,155	\$ 0	\$ 0	\$ 6,155	\$ 6,155
Buildings	237,451	229,856	0	0	237,451	229,856
Improvements other than Buildings	0	0	1,269,562	1,269,562	1,269,562	1,269,562
Equipment, Furniture, Vehicles	680,017	670,366	0	0	680,017	670,366
Subtotal	923,623	906,377	1,269,562	1,269,562	2,193,185	2,175,939
Accumulated Depreciation	460,971	403,775	660,171	634,780	1,121,142	1,038,555
Net Capital Assets	\$ 462,652	\$ 502,602	\$ 609,391	\$ 634,782	\$ 1,072,043	\$ 1,137,384

Major capital asset events during the current fiscal year included the following:

- ◆ The purchase of a server by the General Fund amounted to \$3,995.
- ◆ The purchase of four computers by the General Fund amounted to \$5,656.
- ◆ The purchase of a new well and light for the cemetery by the General Fund amounted to \$4,279 and \$1,971 respectively.
- ◆ The purchase of a flag pole by the Fire Fund amounted to \$1,345. This purchase was part of a Ken Dosch memorial project that included landscaping and an engraved stone. Many citizens contributed to this memorial project.

Long-Term Debt. As of June 30, 2005, the Township had total debt outstanding of \$13,524 for the purchase of a 2003 Chevrolet 2500 pickup. This debt is serviced 50% by the General Fund and 50% by the Fire Fund.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2005

Economic Condition and Outlook

The unemployment rate is still high in the State of Michigan and the State's shortfall in the budget means potential reductions in state-shared revenues.

These factors were considered in preparing the Township's budgets for the 2005-2006 fiscal year.

A fire millage was levied for the 2004 tax roll. The mills to be levied for the 2005 tax roll for fire protection are expected to be similar to 2004.

These factors were considered in preparing the Township's budgets for the 2005-06 fiscal year.

Request for Information

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have any questions about this report or need any additional information, contact Cherry Grove Township at 4830 E. M-55, Cadillac, MI 49601.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF NET ASSETS
JUNE 30, 2005

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS
<u>ASSETS</u>			
<u>CURRENT ASSETS</u>			
Cash	\$ 317,621	\$ 30,707	\$ 348,328
Accounts Receivable	0	31,580	31,580
Interest Receivable	0	2,131	2,131
Taxes Receivable	58	0	2,146
Special Assessment Receivable	1,348	0	1,348
Investments	314,430	584,404	898,834
Total Current Assets	633,457	648,822	1,284,367
<u>CAPITAL ASSETS</u>			
Land and Improvements	6,155	0	6,155
Buildings	237,451	0	237,451
Improvements Other Than Buildings	0	1,269,562	1,269,562
Equipment, Furniture and Vehicles	680,017	0	680,017
	923,623	1,269,562	2,193,185
Less Accumulated Depreciation	460,971	660,171	1,121,142
Net Capital Assets	462,652	609,391	1,072,043
TOTAL ASSETS	1,096,109	1,258,213	2,356,410
<u>LIABILITIES</u>			
<u>CURRENT LIABILITIES</u>			
Accounts Payable	31,339	0	31,339
Current Portion of Long-Term Liabilities	3,931	0	3,931
Total Current Liabilities	35,270	0	35,270
<u>NONCURRENT LIABILITIES</u>			
Note Payable (Net of Current Portion)	9,593	0	9,593
TOTAL LIABILITIES	44,863	0	44,863
<u>NET ASSETS</u>			
Invested in Capital Assets Net of Related Debt	449,128	609,391	1,058,519
Restricted for Public Safety	120,919	0	120,919
Restricted for Recreation and Culture	47,144	0	47,144
Unrestricted	434,055	648,822	1,082,877
TOTAL NET ASSETS	\$ 1,051,246	\$ 1,258,213	\$ 2,309,459

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2005

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
<u>PRIMARY GOVERNMENT</u>							
<u>GOVERNMENTAL ACTIVITIES</u>							
Legislative	\$ 13,249	\$ 0	\$ 0	\$ 0	\$ (13,249)	\$ 0	\$ (13,249)
General Government, Administrative	158,087	21,862	0	0	(136,225)	0	(136,225)
Public Safety	117,371	34,596	6,162	0	(76,613)	0	(76,613)
Public Works	1,003	0	0	0	(1,003)	0	(1,003)
Recreation and Culture	82,543	0	27,725	0	(54,818)	0	(54,818)
Other Functions	25,739	0	0	0	(25,739)	0	(25,739)
Interest of Long-term Debt	776	0	0	0	(776)	0	(776)
Total Governmental Activities	398,768	56,458	33,887	0	(308,423)	0	(308,423)
<u>BUSINESS-TYPE ACTIVITIES</u>							
Sewer System	126,252	103,513	0	0	0	(22,739)	(22,739)
TOTAL	\$ 525,020	\$ 159,971	\$ 33,887	\$ 0	\$ (308,423)	\$ (22,739)	\$ (331,162)
<u>GENERAL REVENUES</u>							
Tax and Special Assessments					\$ 171,584	\$ 0	\$ 171,584
State Shared Revenue					180,502	0	180,502
Unrestricted Investment Earnings					9,442	11,341	20,783
Gain on Sale of Capital Assets					600	0	600
Other					699	0	699
Total General Revenues					362,827	11,341	374,168
Change in Net Assets					54,404	(11,398)	43,006
<u>NET ASSETS</u> - Beginning of Year					996,842	1,269,611	2,266,453
<u>NET ASSETS</u> - End of Year					\$ 1,051,246	\$ 1,258,213	\$ 2,309,459

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2005

ASSETS

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
Cash	\$ 39,998	\$ 12,958	\$ 21,868	\$ 992	\$ 75,614	\$ 166,191	\$ 317,621
Taxes Receivable	26	0	32	0	0	0	58
Special Assessment Receivable	0	1,348	0	0	0	0	1,348
Investments	139,612	78,403	96,415	0	0	0	314,430
Due from Other Funds	0	0	3,065	0	0	0	3,065
TOTAL ASSETS	\$ 179,636	\$ 92,709	\$ 121,380	\$ 992	\$ 75,614	\$ 166,191	\$ 636,522

LIABILITIES AND FUND BALANCE

LIABILITIES

Accounts Payable	\$ 2,408	\$ 0	\$ 461	\$ 0	\$ 28,470	\$ 0	\$ 31,339
Due to Other Funds	3,065	0	0	0	0	0	3,065
Deferred Revenue	0	1,017	0	0	0	0	1,017
Total Liabilities	5,473	1,017	461	0	28,470	0	35,421

FUND BALANCE

Reserved for:

Fire Protection	0	0	120,919	0	0	0	120,919
Lake Improvement	0	0	0	0	47,144	0	47,144

Unreserved

Designated for:

Street Improvements	0	91,692	0	0	0	0	91,692
Liquor Law Enforcement	0	0	0	992	0	0	992
Public Improvements	0	0	0	0	0	166,191	166,191
Undesignated	174,163	0	0	0	0	0	174,163
Total Fund Balance	174,163	91,692	120,919	992	47,144	166,191	601,101

TOTAL LIABILITIES

AND FUND BALANCE

\$ 179,636	\$ 92,709	\$ 121,380	\$ 992	\$ 75,614	\$ 166,191	\$ 636,522
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The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
JUNE 30, 2005

Total Fund Balances for Governmental Funds	\$ 601,101
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Amounts Reported for Governmental Activities in the
Statement of Net Assets are Different Because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported in the funds.

Land and Improvements	\$ 6,155	
Buildings	237,451	
Equipment, Furniture and Vehicles	680,017	
Accumulated Depreciation	<u>(460,971)</u>	462,652

Other long-term assets are not available to pay for current period
expenditures and therefore are not reported in the funds.

Special Assessment Receivables	1,017
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Long term liabilities are not due and payable in the current period and
are not reported in the funds

Note Payable	<u>(13,524)</u>
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NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u><u>\$ 1,051,246</u></u>
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The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>REVENUES</u>							
Taxes	\$ 92,147	\$ 0	\$ 80,436	\$ 0	\$ 0	\$ 0	\$ 172,583
Licenses and Permits	10,175	0	0	0	0	0	10,175
State Grants	180,502	0	0	2,414	0	0	182,916
Contributions from Local Units	0	0	0	0	27,725	0	27,725
Charges for Services	9,833	0	100	0	0	0	9,933
Interest and Rents	7,193	1,627	1,394	0	537	1,191	11,942
Other Revenues	0	5,267	4,383	0	33,850	0	43,500
Total Revenues	299,850	6,894	86,313	2,414	62,112	1,191	458,774
<u>EXPENDITURES</u>							
Legislative	18,914	0	0	0	0	0	18,914
General Government	160,143	0	0	0	0	0	160,143
Public Safety	0	0	67,153	2,547	0	0	69,700
Public Works	724	279	0	0	0	0	1,003
Recreation and Culture	7,135	0	0	0	75,408	0	82,543
Other Functions	25,739	0	0	0	0	0	25,739
Debt Service	2,258	0	2,258	0	0	0	4,516
Total Expenditures	214,913	279	69,411	2,547	75,408	0	362,558
Excess (Deficiency) of Revenues Over Expenditures	84,937	6,615	16,902	(133)	(13,296)	1,191	96,216

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

YEAR ENDED JUNE 30, 2005

	GENERAL FUND	MUNICIPAL STREET	FIRE FUND	LIQUOR LAW ENFORCEMENT	LAKE IMPROVEMENT	CAPITAL IMPROVEMENT	TOTALS
<u>OTHER FINANCING SOURCES (USES)</u>							
Transfers In	0	20,000	0	0	0	165,000	185,000
Transfers Out	(185,000)	0	0	0	0	0	(185,000)
Sale of Fixed Assets	0	0	600	0	0	0	600
Total Other Financing Sources (Uses)	(185,000)	20,000	600	0	0	165,000	600
Net Change in Fund Balance	(100,063)	26,615	17,502	(133)	(13,296)	166,191	96,816
<u>FUND BALANCE</u> - Beginning of Year	274,226	65,077	103,417	1,125	60,440	0	504,285
<u>FUND BALANCE</u> - End of Year	\$ 174,163	\$ 91,692	\$ 120,919	\$ 992	\$ 47,144	\$ 166,191	\$ 601,101

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GOVERNMENTAL FUNDS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES
JUNE 30, 2005

Net change in Fund Balance - Total Governmental Funds	\$ 96,816
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Amounts reported for governmental activities are different because:

Governmental funds report capital outlay as expenditures in the statement of activities. These costs are allocated over their estimated useful lives as depreciation.

Depreciation Expense	(57,196)
Capital Outlay	17,246

Repayments of principal on long-term debt is an expenditure in the governmental fund, but not in the statement of activities (where it is a reduction of liabilities).

Truck Payments Payable	3,740
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Under modified accrual basis of accounting, revenue is recognized when measurable and certain. The entity wide statements recognize revenue when earned.

Deferred Revenue - Beginning of Year	(7,219)
Deferred Revenue - End of Year	<u>1,017</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 54,404</u>
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The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF NET ASSETS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>ASSETS</u>	
<u>CURRENT ASSETS</u>	
Cash	
Money Market Account	\$ 30,707
Accounts Receivable	
Service Billings	31,580
Interest Receivable	2,131
Investments	
Short-Term Investment Fund and U.S. Treasury Notes	<u>584,404</u>
Total Current Assets	<u>648,822</u>
<u>CAPITAL ASSETS</u>	
Improvements Other Than Buildings	1,269,562
Less Accumulated Depreciation	<u>660,171</u>
Net Capital Assets	<u>609,391</u>
TOTAL ASSETS	<u>\$ 1,258,213</u>
<u>LIABILITIES AND NET ASSETS</u>	
<u>LIABILITIES</u>	<u>\$ 0</u>
<u>NET ASSETS</u>	
Invested in Capital Assets	609,391
Unrestricted	<u>648,822</u>
Total Net Assets	<u>1,258,213</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,258,213</u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>OPERATING REVENUES</u>	
Charges for Services	
Sewer Use Charges and Connection Fees	<u>\$ 103,513</u>
<u>OPERATING EXPENSES</u>	
Public Works	
Contracted Services	
Operation and Maintenance	
Wexford County Department of Public Works	100,839
Depreciation	25,391
Miscellaneous	<u>22</u>
Total Operating Expenses	<u>126,252</u>
Operating Income (Loss)	<u>(22,739)</u>
<u>NONOPERATING REVENUES (EXPENSES)</u>	
Interest Income	20,413
Net Increase (Decrease) in the Fair Value of Investments	<u>(9,072)</u>
Total NonOperating Revenues (Expenses)	<u>11,341</u>
Change in Net Assets	(11,398)
<u>NET ASSETS</u> - Beginning of Year	<u>1,269,611</u>
<u>NET ASSETS</u> - End of Year	<u><u>\$ 1,258,213</u></u>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

PROPRIETARY FUND

STATEMENT OF CASH FLOWS

JUNE 30, 2005

BUSINESS TYPE ACTIVITIES - ENTERPRISE FUND - MAJOR FUND

	<u>SEWER FUND</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>	
Cash Flows from Operating Activities:	
Cash Received from Customers	\$ 99,278
Cash Payments to Suppliers for Goods and Services	(100,861)
	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,583)
	<hr/>
Cash Flows from Investing Activities:	
Interest on Investments	20,641
Net Increase (Decrease) in Fair Value of Investments	(9,072)
Proceeds from Sale of Short-Term Investment Fund and U.S. Treasury Notes	100,000
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	(111,220)
	<hr/>
Net Cash Provided (Used) by Investing Activities	349
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,234)
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	31,941
	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	\$ 30,707
	<hr/> <hr/>
<u>RECONCILIATION OF OPERATING INCOME</u>	
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</u>	
Operating Income (Loss)	\$ (22,739)
	<hr/>
Adjustments to Reconcile Operating Income	
To Net Cash Provided by Operating Activities	
Depreciation	25,391
(Increase) Decrease in Current Assets	
Accounts Receivable - Service Billings	(4,235)
	<hr/>
Total Adjustments	21,156
	<hr/>
NET CASH PROVIDED BY	
OPERATING ACTIVITIES	\$ (1,583)
	<hr/> <hr/>

The accompanying notes are an integral part of the financial statements.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Cherry Grove Township is a general law township located in Wexford County which operates under the direction of an elected township board. As required by generally accepted accounting principles, these financial statements present the government and its blended component unit, an entity for which the Township is considered to be financially accountable. The blended component unit, although a legally separate entity, is, in substance, part of the Township for financial reporting purposes so its data is combined with the Township.

Blended Component Unit. The Lake Mitchell Improvement Authority was established to provide for the improvement of Lake Mitchell and is funded by special assessments on lake front property owners. Cherry Grove Township, Selma Township, and the City of Cadillac are all members of the Authority. Each unit appoints members to the Authority Board. Cherry Grove Township is financially the largest member of the Authority and therefore the Authority is considered a component unit of the Township. The Authority is reported as a special revenue fund.

B. Government-wide and Fund Financial Statements

GASB Statement No. 34 establishes standards for external financial reporting for state and local governments and requires that resources be classified for accounting and reporting purposes into the following three net asset categories.

Invested in Capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, and contributions, or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets which do not meet the definition of the two preceding categories. Unrestricted net assets are often designated, to indicate that management does not consider them to be available for general operations. Unrestricted net assets often have constraints on resources which are imposed by management, but can be modified or removed.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The government-wide focus is more on the sustainability of the Township as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The fund financial statements are similar to the financial statements presented in the previous financial reporting model.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Basis of Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, interest and special assessments associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current period is considered to be susceptible to accrual as revenue of the current period. Sales taxes collected

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

and held by the state at year end on behalf of the government are also recognized as revenue. All other revenue items are considered to be measurable and available only when cash is received by the government.

Entitlements and shared revenues are recorded at the time of receipt or earlier if the susceptible to accrual criteria are met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The accounts of the Township are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Cherry Grove Township reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *special revenue funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

The *Municipal Street Fund* accounts for revenue sources that are legally restricted to expenditures for street improvements.

The *Fire Fund* accounts for revenue sources that are legally restricted to expenditures for fire protection.

The *Liquor Law Enforcement Fund* accounts for revenue sources that are legally restricted to expenditures for liquor law enforcement.

The *Lake Improvement Fund* accounts for revenue sources that are legally restricted to expenditures for lake improvements.

The *Capital Improvement Revolving Fund* accounts for revenue sources that are legally restricted to expenditures for public improvement.

Cherry Grove Township reports the following major proprietary fund:

The *proprietary funds* are used to account for those operations that are financed and operated in a manner similar to private business or where the Board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The *Sewer Fund* records financial activity of the Township's portion of the Cadillac-Mitchell Sewer Loop Project. The Township participates in the Cadillac-Mitchell Sewer Loop Project with Clam Lake Township and Selma Township.

Additionally Cherry Grove Township reports the following fund types:

Agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. These funds are used to account for assets that the Township holds for others in an agency capacity.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions involved. Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Sewer Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use the restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

The investment policy adopted by the Township states that the Township is limited to investments authorized by Public Act 20 of 1943 (MCL 129.91 et seq), as amended, or as shall be amended in the future, and may include the following:

- (a) Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution. Authorized depositories shall be designated by the Cherry Grove Township Board at the Board's organizational meeting after each regular election of members.
- (c) Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) Investment pools through an interlocal agreement under the Urban Cooperation Act of 1967, 1967 (ex Sess) PA7, MCL 124.501 to 124.512.
- (e) Investment pools organized under the Surplus Funds Investment Pool Act, 1982 PA 367, 129.11 to 129.118.

2. *Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Property taxes attach as an enforceable lien on the property as of the date they are levied. State education taxes and 50% of Cadillac Area Public School's taxes are levied and due July 1, and become delinquent after September 14. County and the balance of school taxes are levied and due December 1, and become delinquent after February 14. Collections of school and county taxes and remittances of them are accounted for in the Current Tax Collection Fund. Township property tax revenues are recognized when they become both measurable and available for use to finance Township

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

operations. Amounts which are not expected to be collected within sixty days are treated as deferred revenues.

The 2004 taxable valuation of Cherry Grove Township totaled \$83,238,414, on which ad valorem taxes levied consisted of 0.7748 mills for Cherry Grove Township operating purposes, and 0.9664 mills for Cherry Grove Township fire protection. These levies raised approximately \$64,489 for operating purposes, and \$80,436 for fire protection.

3. *Inventories and Prepaid Items*

Inventories are not significant and are expensed as acquired.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

4. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of proprietary fund capital assets is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Property, plant and equipment of the government are depreciated using the straight line method over the following estimated useful lives:

<u>ASSETS</u>	<u>YEARS</u>
Buildings	50
Improvements	20
Infrastructure	20-50
Equipment, Furniture and Vehicles	5-10

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

5. *Long-Term Obligations*

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are amortized over the life of the bonds using the effective interest method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

6. *Fund Equity*

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

7. *Use of Estimates*

The presentation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

8. *Comparative Data/Reclassifications*

Comparative total data for prior years have been presented for all funds in the fund financial statement in order to provide an understanding of the changes in the financial position and operations of these funds. Also, certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on June 6, 2004, or as amended by the Township board from time to time throughout the year.

The appropriated budgets are prepared by fund and activity. The Township board exercises budgetary control over expenditures.

Encumbrance accounting not employed in governmental funds.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

The Township's deposits and investments are all on deposit with Citizens Bank, Northwestern Bank, and Bank One Municipal Investment Services.

Investment rate risk. The Township will minimize Interest Rate Risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market; and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investing pools and limiting the average maturity in accordance with the Township's cash requirement.

Foreign currency risk. The Township is not authorized to invest in investments, which have this type of risk.

Credit risk. The Township will minimize Custodial Credit Risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities listed in the Township's investment policy; and pre-qualifying the financial institutions, brokers/dealer, intermediaries and advisors with which the Township will do business in accordance with the Township's investment policy.

Concentration of credit risk. The Township will minimize Concentration of Credit Risk, which is the risk of loss attributed to the magnitude of the Township's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2005, \$66,191 of the government's bank balance of \$337,442 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Township's investments are categorized to give an indication of the level of risk assumed by the Township at year end. Category 1 includes investments that are insured or registered, or securities held by the Township or the Township's agent in the Township's name. Category 2 includes investments that are uninsured and unregistered with securities held by the counterparty's trust department or its agent in the Township's name. Category 3 includes investments that are uninsured and unregistered, with the securities held by the counterparty, or by its trust department or its agent but not in the Township's name. At year end all of the Township's investments were uncategorized as to risk.

B. Receivables

Receivables as of year end for the government's individual major funds, and nonmajor funds in aggregate, are as follows:

	General		Municipal Street		Fire		Sewer		Total
Receivables									
Taxes	\$	26	\$	0	\$	32	\$	0	\$ 58
Special									
Assessments		0		1,348		0		0	1,348
Accounts		0		0		0		31,580	31,580
Interest		0		0		0		2,131	2,131
Total	\$	26	\$	1,348	\$	32	\$	33,711	\$ 35,117

The allowance for doubtful accounts is not considered to be material for disclosure. In addition, any delinquent sewer service receivables can be placed on the tax rolls as a lien against real property. As a result, its uncollectible accounts are virtually nil.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

	<u>UNAVAILABLE</u>	<u>UNEARNED</u>
Special Assessments Earned, but not yet available	\$ 1,017	\$ 0

C. Capital Assets

	Beginning Balance	Increases	Decreases	Ending Balance
<u>Governmental activities:</u>				
Capital assets, not being depreciated				
Land	\$ 6,155	\$ 0	\$ 0	\$ 6,155
Capital assets, being depreciated				
Buildings	229,856	7,595	0	237,451
Machinery and Equipment	670,366	9,651	0	680,017
Total capital assets, being depreciated	900,222	17,246	0	917,468
Less accumulated depreciation for:				
Buildings	64,549	6,305	0	70,854
Machinery and Equipment	339,226	50,891	0	390,117
Total accumulated depreciation	403,775	57,196	0	460,971
Total capital assets, being depreciated, net	496,447	(39,950)	0	456,497
Governmental activities capital assets, net	\$ 502,602	\$ (39,950)	\$ 0	\$ 462,652
Capital assets, being depreciated				
Improvements other than buildings	\$ 1,269,562	\$ 0	\$ 0	\$ 1,269,562
Less accumulated depreciation for:				
Improvements other than buildings	634,780	25,391	0	660,171
Business-type activities capital assets, net	\$ 634,782	\$ (25,391)	\$ 0	\$ 609,391

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General Government	\$ 8,180
Public Safety	<u>49,016</u>
 Total depreciation expense - governmental activities	 \$ <u>57,196</u>
 Business-type activities:	
Sewer	 \$ <u>25,391</u>

Construction Commitments:

The government has no outstanding construction commitments as of June 30, 2005.

D. Interfund Receivables, Payables and Transfers

Individual fund interfund receivable and payable balances at June 30, 2005, were:

<u>FUND</u>	INTERFUND RECEIVABLES	INTERFUND PAYABLES
General Fund	\$ 0	\$ 3,065
Special Revenue Funds		
Fire Fund	<u>3,065</u>	<u>0</u>
	\$ <u>3,065</u>	\$ <u>3,065</u>

All remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. All are expected to be resolved within one year.

Interfund Transfers as of June 30, 2005, were:

	TRANSFERS IN	OUT
General Fund	\$ 0	\$ 185,000
Municipal Street Fund	20,000	0
Capital Improvement Revolving Fund	<u>165,000</u>	<u>0</u>
	\$ <u>185,000</u>	\$ <u>185,000</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

4. Long-Term Debt

Debt payable at June 30, 2005 is for a 2003 Chevrolet 2500 pickup. \$19,950 due in monthly installments of \$377 through September 30, 2008; interest at 4.99 percent.

The following is a summary of the long-term debt transactions of the Township for the year ended June 30, 2005:

	INSTALLMENT NOTE
Long-Term Debt Payable at July 1, 2004	\$ 17,264
Long-Term Debt Issued	0
Long-Term Debt Retired	<u>(3,740)</u>
LONG-TERM DEBT PAYABLE AT JUNE 30, 2005	<u>\$ 13,524</u>
Amount due within one year	<u>\$ 3,931</u>

YEAR ENDING <u>JUNE 30,</u>	PRINCIPAL	INTEREST	TOTAL
2006	\$ 3,931	\$ 593	\$ 4,524
2007	4,131	393	4,524
2008	4,342	182	4,524
2009	1,120	11	1,131
	<u>\$ 13,524</u>	<u>\$ 1,179</u>	<u>\$ 14,703</u>

F. Fund Balance Reserves and Designations

In order to comply with generally accepted accounting principles and meet certain legal requirements, the Township has reserved fund balances/retained earnings in various funds. In addition, certain portions of unreserved fund balances/net assets have been designated for intended future uses. These reserves and designations are detailed in the following schedule:

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

FUND BALANCE/NET ASSETS

Reserved

Lake Improvement Fund

Lake Improvement \$ 47,144

Fire Fund

Fire Protection 120,919

Designated

Municipal Street Fund

Street Improvements 91,692

Liquor Law Enforcement Fund

Liquor Law Enforcement 992

Capital Improvement Revolving Fund

Public Improvements 166,191

TOTAL FUND BALANCE DESIGNATIONS

\$ 426,938

IV. OTHER INFORMATION

A. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions, and worker's compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continued to carry insurance for other risks of loss, including fidelity bonds.

B. Retirement Plan

The Township has a defined contribution pension plan with Manufacturers Life Insurance Company which covers all employees except for volunteer firemen and seasonal employees. Each employee becomes eligible for coverage on the first policy anniversary date which the employee reaches age 21 and is ineligible at age 73. An employee's normal retirement date is age 65 except for those age 56 and over at entry who will retire after 10 years of participation in the plan or at the plan anniversary nearest age 75 if sooner.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2005

Township contributions to the plan for 2004-2005, amounted to \$10,938 including administration fees of \$260. Total covered payroll amounted to \$102,375 and total wages including non-covered payroll was \$123,288.

C. Lake Improvement Fund

The Township has joined with Selma Township and the City of Cadillac to establish a Lake Improvement Board for the purpose of improving Lake Mitchell. A special assessment district was established with each municipality collecting the assessment from its property owners within the district. Selma Township and the City of Cadillac send the collected assessments to Cherry Grove Township which has been designated by the Lake Improvement Board to maintain the records for the Lake Improvement Fund.

D. Sewer Fund

The Township is participating with Selma and Clam Lake Townships in the Lakes Cadillac-Mitchell Sewer Loop Project. This project was financed through state and federal grants and the sale of special assessment bonds. The total cost of the project was \$2,605,674. Cherry Grove Township's share of this project is 48.723% (\$1,269,562). This amount has been capitalized as an asset in the Sewer Fund and as a charge to contributed equity. The Township has contracted with the Wexford County Department of Public Works to operate and maintain the system.

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	GENERAL FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 77,900	\$ 77,900	\$ 92,147	\$ 14,247
Licenses and Permits	7,700	7,700	10,175	2,475
State Grants	162,461	162,461	180,502	18,041
Charges for Services	8,400	8,400	9,833	1,433
Interest and Rents	3,100	3,100	7,193	4,093
Total Revenues	259,561	259,561	299,850	40,289
<u>EXPENDITURES</u>				
Legislative	14,270	18,270	18,914	(644)
General Government	176,275	182,311	160,143	22,168
Public Works	5,900	5,900	724	5,176
Recreation and Culture	15,500	15,500	7,135	8,365
Other Functions	28,400	28,400	25,739	2,661
Debt Service	0	0	2,258	(2,258)
Contingency	30,991	20,955	0	20,955
Total Expenditures	271,336	271,336	214,913	56,423
Excess (Deficiency) of Revenues Over Expenditures	(11,775)	(11,775)	84,937	96,712
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers Out	(25,000)	(25,000)	(185,000)	(160,000)
Net Change in Fund Balance	(36,775)	(36,775)	(100,063)	(63,288)
<u>FUND BALANCE</u> - Beginning of Year	203,120	203,120	274,226	71,106
<u>FUND BALANCE</u> - End of Year	\$ 166,345	\$ 166,345	\$ 174,163	\$ 7,818

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

	MUNICIPAL STREET FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Interest and Rents	\$ 590	\$ 590	\$ 1,627	\$ 1,037
Other Revenues	925	925	5,267	4,342
Total Revenues	1,515	1,515	6,894	5,379
<u>EXPENDITURES</u>				
Public Works	63,086	63,086	279	62,807
Excess (Deficiency) of Revenues Over Expenditures	(61,571)	(61,571)	6,615	68,186
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	20,000	20,000	20,000	0
Net Change in Fund Balance	(41,571)	(41,571)	26,615	68,186
<u>FUND BALANCE</u> - Beginning of Year	41,575	41,575	65,077	23,502
<u>FUND BALANCE</u> - End of Year	\$ 4	\$ 4	\$ 91,692	\$ 91,688

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	FIRE FUND			
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Taxes	\$ 77,000	\$ 77,000	\$ 80,436	\$ 3,436
State Grants	0	0	0	0
Charges for Services	1,275	1,275	100	(1,175)
Interest and Rents	1,000	1,000	1,394	394
Other Revenues	500	500	4,383	3,883
Total Revenues	79,775	79,775	86,313	6,538
<u>EXPENDITURES</u>				
Public Safety	96,950	96,950	67,153	29,797
Debt Service	0	0	2,258	(2,258)
Total Expenditures	96,950	96,950	69,411	27,539
Excess (Deficiency) of Revenues Over Expenditures	(17,175)	(17,175)	16,902	34,077
<u>OTHER FINANCING SOURCES (USES)</u>				
Sale of Fixed Assets	0	0	600	600
Net Change in Fund Balance	(17,175)	(17,175)	17,502	34,677
<u>FUND BALANCE</u> - Beginning of Year	51,700	51,700	103,417	51,717
<u>FUND BALANCE</u> - End of Year	\$ 34,525	\$ 34,525	\$ 120,919	\$ 86,394

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2005

	<u>LIQUOR LAW ENFORCEMENT FUND</u>			
	<u>ORIGINAL</u> <u>BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u> <u>WITH FINAL</u> <u>BUDGET</u>
<u>REVENUES</u>				
State Grants	\$ 1,743	\$ 1,743	\$ 2,414	\$ 671
<u>EXPENDITURES</u>				
Public Safety	3,000	3,000	2,547	453
Excess (Deficiency) of Revenues Over Expenditures	(1,257)	(1,257)	(133)	1,124
<u>OTHER FINANCING SOURCES (USES)</u>				
Transfers In	1,000	1,000	0	(1,000)
Net Change in Fund Balance	(257)	(257)	(133)	124
<u>FUND BALANCE</u> - Beginning of Year	826	826	1,125	299
<u>FUND BALANCE</u> - End of Year	\$ 569	\$ 569	\$ 992	\$ 423

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
MAJOR GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2005

LAKE IMPROVEMENT FUND

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
<u>REVENUES</u>				
Contributions From Local Units	26,000	26,000	27,725	1,725
Interest and Rents	219	219	537	318
Other Revenues	32,000	32,000	33,850	1,850
Total Revenues	\$ 58,219	\$ 58,219	\$ 62,112	\$ 3,893
<u>EXPENDITURES</u>				
Culture and Recreation	86,450	86,450	75,408	11,042
Excess (Deficiency) of Revenues Over Expenditures	\$ (28,231)	\$ (28,231)	\$ (13,296)	\$ 14,935
<u>FUND BALANCE</u> - Beginning of Year	80,280	80,280	60,440	(19,840)
<u>FUND BALANCE</u> - End of Year	\$ 52,049	\$ 52,049	\$ 47,144	\$ (4,905)

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Petty Cash	\$ 100	\$ 100
Commercial Account	1,439	15,838
Money Market Account	38,459	27,044
Taxes Receivable	26	79
Investments		
Short-Term Investment Fund	<u>139,612</u>	<u>238,885</u>
 TOTAL ASSETS	 <u>\$ 179,636</u>	 <u>\$ 281,946</u>
 <u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 2,408	\$ 3,903
Due to Other Funds	<u>3,065</u>	<u>3,817</u>
 TOTAL LIABILITIES	 5,473	 7,720
 <u>FUND BALANCE</u>		
Unreserved	<u>174,163</u>	<u>274,226</u>
 TOTAL LIABILITIES AND FUND BALANCE	 <u>\$ 179,636</u>	 <u>\$ 281,946</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes	\$ 77,900	\$ 77,900	\$ 92,147	\$ 87,753
Business Licenses and Permits	7,700	7,700	10,175	9,641
State Grants	162,461	162,461	180,502	159,921
Charges for Services	8,400	8,400	9,833	9,611
Interest and Rents	3,100	3,100	7,193	4,658
Total Revenues	259,561	259,561	299,850	271,584
<u>EXPENDITURES</u>				
Legislative				
Township Board	14,270	18,270	18,914	6,350
General Government				
Supervisor	9,500	9,500	9,209	8,381
Election	10,800	10,800	5,508	1,856
Accounting	3,800	5,800	5,960	3,790
Assessor	32,156	32,156	35,061	28,749
Attorney	4,000	4,000	1,355	242
Clerk	27,465	27,465	21,735	20,537
Board of Review	2,375	2,375	1,833	1,596
Treasurer	33,204	33,204	27,393	27,340
Building and Grounds	12,365	12,365	15,856	14,214
Municipal Building	16,075	20,111	19,478	24,405
Cemetery	24,535	24,535	16,755	11,290
Public Works	5,900	5,900	724	960
Recreation and Cultural	15,500	15,500	7,135	11,184
Other Functions	28,400	28,400	25,739	25,750
Debt Service	0	0	2,258	1,694
Contingency	30,991	20,955	0	0
Total Expenditures	271,336	271,336	214,913	188,338
Excess of Revenues Over (Under) Expenditures	(11,775)	(11,775)	84,937	83,246

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	0	0	0	9,975
Transfers Out	(25,000)	(25,000)	(185,000)	(19,926)
Total Other Financing Sources (Uses)	(25,000)	(25,000)	(185,000)	(9,951)
Net Change in Fund Balance	(36,775)	(36,775)	(100,063)	73,295
<u>FUND BALANCE</u> - Beginning of Year	203,120	203,120	274,226	200,931
<u>FUND BALANCE</u> - End of Year	<u>\$ 166,345</u>	<u>\$ 166,345</u>	<u>\$ 174,163</u>	<u>\$ 274,226</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF REVENUES
YEAR ENDED JUNE 30, 2005

TAXES

Property Taxes	\$ 64,489	
Property Tax Administration Fee	27,156	
Swamp Tax	481	
Penalties and Interest on Taxes	21	
Total Taxes		92,147

LICENSES AND PERMITS

Cable TV Franchise Fee	9,529	
Land Split Permits	646	
Total Licenses and Permits		10,175

STATE GRANTS

State Revenue Sharing		
Sales and Use Tax		180,502

CHARGES FOR SERVICES

Burial Fees	2,150	
Sale of Cemetery Lots	300	
Summer Tax Collection	6,848	
Miscellaneous	535	
Total Charges for Services		9,833

INTEREST AND RENTS

Interest Earnings	4,693	
Rents and Royalties	2,500	
Total Interest and Rents		7,193

TOTAL REVENUES		<u>\$ 299,850</u>
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CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

LEGISLATIVE

Township Board		
Personal Services		
Salaries and Wages	\$	2,642
Supplies		
Office Supplies		284
Other Services and Charges		
Contracted Services		2,234
Printing and Publishing		914
Repair and Maintenance		39
Miscellaneous		4,181
Dues and Subscriptions		1,572
Capital Outlay		<u>7,048</u>
Total Legislative		18,914

GENERAL GOVERNMENT

Supervisor		
Personal Services		
Salaries and Wages	8,539	
Supplies		
Office and Operating Supplies	256	
Other Services and Charges		
Transportation and Expense	277	
Miscellaneous	<u>137</u>	9,209
Elections		
Personal Services		
Salaries and Wages	2,686	
Other Services and Charges		
Supplies	640	
Repair and Maintenance	1,783	
Miscellaneous	<u>399</u>	5,508
Accounting		
Other Services and Charges		
Contracted Services		5,960
Assessor		
Personal Services		
Salaries and Wages	23,844	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

Salaries and Wages - Deputy	453	
Supplies		
Office and Operating Supplies	871	
Other Services and Charges		
Contracted Services	3,557	
Transportation and Expense	485	
Printing and Publishing	1,533	
Dues and Subscriptions	135	
Miscellaneous	413	
Education	75	
Capital Outlay	3,695	35,061
Attorney		
Other Services and Charges		
Contracted Services		1,355
Clerk		
Personal Services		
Salaries and Wages	16,639	
Salaries and Wages - Deputy	995	
Supplies		
Office and Operating Supplies	1,604	
Other Services and Charges		
Computer Expense	1,929	
Transportation and Expense	209	
Printing and Publishing	144	
Miscellaneous	100	
Dues and Subscriptions	115	21,735
Board of Review		
Personal Services		
Salaries and Wages	948	
Other Services and Charges		
Printing and Publishing	690	
Transportation and Expense	39	
Miscellaneous	156	1,833
Treasurer		
Personal Services		
Salaries and Wages	20,545	
Salaries and Wages - Deputy	1,699	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

Supplies		
Office and Operating Supplies	1,250	
Other Services and Charges		
Computer Expense	1,013	
Transportation and Expense	243	
Education	385	
Printing and Publishing	2,183	
Miscellaneous	75	27,393
Building and Grounds		
Personal Services		
Salaries and Wages	4,144	
Employee Benefits		
Unemployment	11	
Supplies		
Operating Supplies	2,996	
Other Services and Charges		
Public Utilities	2,060	
Repair and Maintenance	6,120	
Rental Refunds	525	15,856
Municipal Building		
Personal Services		
Salaries and Wages	4,144	
Employee Benefits		
Unemployment	12	
Supplies		
Office and Operating Supplies	422	
Other Services and Charges		
Communications	2,189	
Public Utilities	6,638	
Repair and Maintenance	1,597	
Capital Outlay	4,476	19,478
Cemetery		
Personal Services		
Salaries and Wages	6,848	
Supplies		
Operating Supplies	216	
Other Services and Charges		
Public Utilities	124	

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

GENERAL FUND

ANALYSIS OF EXPENDITURES
YEAR ENDED JUNE 30, 2005

Repairs and Maintenance	3,217		
Capital Outlay	<u>6,350</u>	<u>16,755</u>	
Total General Government			160,143
<u>PUBLIC WORKS</u>			
Street Lighting			
Other Services and Charges			
Public Utilities			724
<u>RECREATION AND CULTURAL</u>			
Recreation and Parks			
Personal Services			
Salaries and Wages		4,144	
Other Services and Charges			
Contributions		140	
Clean-Up Day		<u>2,851</u>	
Total Recreation and Cultural			7,135
<u>OTHER FUNCTIONS</u>			
Insurance and Bonds		4,869	
Employee Benefits			
Medicare and Social Security		9,932	
Pension Contribution		<u>10,938</u>	
Total Other Functions			25,739
<u>DEBT SERVICE</u>			
Principal		1,870	
Interest		<u>388</u>	<u>2,258</u>
Total Expenditures			214,913
<u>OTHER FINANCING USES</u>			
Transfers Out			
Municipal Street Fund		20,000	
Capital Improvement Revolving Fund		<u>165,000</u>	
Total Other Financing Uses			<u>185,000</u>
TOTAL EXPENDITURES AND OTHER FINANCING USES			<u>\$ 399,913</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Commercial Account	\$ 12,958	\$ 10,254
Special Assessments Receivable	1,348	9,214
Investments		
Short-Term Investment Fund	78,403	57,011
TOTAL ASSETS	<u>\$ 92,709</u>	<u>\$ 76,479</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 0	\$ 4,183
Deferred Revenue	1,017	7,219
Total Liabilities	1,017	11,402
<u>FUND BALANCE</u>		
Designated for:		
Street Improvements	91,692	65,077
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 92,709</u>	<u>\$ 76,479</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

MUNICIPAL STREET FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Interest and Rents				
Interest Earnings	\$ 590	\$ 590	\$ 1,627	\$ 657
Other Revenue				
Special Assessments	872	872	5,203	2,410
Penalties on Late Payments	53	53	64	46
	<hr/>	<hr/>	<hr/>	<hr/>
Total Revenues	1,515	1,515	6,894	3,113
	<hr/>	<hr/>	<hr/>	<hr/>
<u>EXPENDITURES</u>				
Public Works				
Highways, Streets and Bridges				
Supplies				
Office Supplies	25	25	0	0
Other Services and Charges				
Printing and Publishing	500	500	279	229
Repairs and Maintenance	62,561	62,561	0	4,183
	<hr/>	<hr/>	<hr/>	<hr/>
Total Expenditures	63,086	63,086	279	4,412
	<hr/>	<hr/>	<hr/>	<hr/>
Excess of Revenues Over (Under) Expenditures	(61,571)	(61,571)	6,615	(1,299)
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	20,000	20,000	20,000	18,926
	<hr/>	<hr/>	<hr/>	<hr/>
Net Change in Fund Balance	(41,571)	(41,571)	26,615	17,627
<u>FUND BALANCE</u> - Beginning of Year	41,575	41,575	65,077	47,450
	<hr/>	<hr/>	<hr/>	<hr/>
<u>FUND BALANCE</u> - End of Year	\$ 4	\$ 4	\$ 91,692	\$ 65,077
	<hr/>	<hr/>	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Petty Cash	\$ 200	\$ 200
Commercial Account	21,668	17,247
Taxes Receivable		
Investments	32	98
Short-Term Investment Fund	96,415	83,022
Due from General Fund	3,065	3,817
TOTAL ASSETS	<u>\$ 121,380</u>	<u>\$ 104,286</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 461	\$ 967
<u>FUND BALANCE</u>		
Reserved for Fire Protection	120,919	103,417
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 121,380</u>	<u>\$ 104,384</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Taxes				
Property Tax	\$ 77,000	\$ 77,000	\$ 80,436	\$ 76,707
State Grants	0	0	0	3,290
Charges for Services	1,275	1,275	100	275
Interest and Rents				
Interest Earnings	1,000	1,000	1,394	439
Other Revenues				
Refunds and Rebates	0	0	635	0
Donations	500	500	3,748	1,955
Total Revenues	79,775	79,775	86,313	82,666
<u>EXPENDITURES</u>				
Public Safety				
Fire Protection				
Personal Services				
Salaries and Wages	26,500	26,500	21,810	18,453
Employee Benefits				
Michigan Unemployment	50	50	22	45
Supplies				
Office Supplies	1,000	1,000	426	30
Operating Supplies	9,500	9,500	8,438	7,179
Other Services and Charges				
Contracted Services	300	300	644	75
Communication	500	500	409	273
Transportation	1,000	1,000	2,797	1,623
Taxes Abated and Written Off	0	0	0	11
Insurance and Bonds	10,500	10,500	10,933	9,094
Public Utilities	2,350	2,350	86	0
Printing and Publishing	350	350	29	128

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

FIRE FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
Repair and Maintenance	12,600	12,600	6,318	7,833
Miscellaneous	5,000	5,000	1,158	281
Dues and Subscriptions	0	0	0	200
Education and Training	800	800	5,072	1,644
Capital Outlay				
Equipment	25,000	25,000	9,011	22,268
Building	1,500	1,500	0	0
Debt Service				
Principal	0	0	1,870	1,343
Interest	0	0	388	351
Total Expenditures	<u>96,950</u>	<u>96,950</u>	<u>69,411</u>	<u>70,831</u>
Excess of Revenues Over (Under) Expenditures	<u>(17,175)</u>	<u>(17,175)</u>	<u>16,902</u>	<u>11,835</u>
<u>OTHER FINANCING SOURCES (USES)</u>				
Notes Payable Issued	0	0	0	9,975
Sale of Fixed Assets	<u>0</u>	<u>0</u>	<u>600</u>	<u>2,100</u>
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>600</u>	<u>12,075</u>
Net Change in Fund Balance	(17,175)	(17,175)	17,502	23,910
<u>FUND BALANCE</u> - Beginning of Year	<u>51,700</u>	<u>51,700</u>	<u>\$ 103,417</u>	<u>79,507</u>
<u>FUND BALANCE</u> - End of Year	<u>\$ 34,525</u>	<u>\$ 34,525</u>	<u>\$ 120,919</u>	<u>\$ 103,417</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
Cash		
Commercial Account	\$ 992	\$ 1,125
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>	\$ 0	\$ 0
<u>FUND BALANCE</u>		
Designated for Liquor Law Enforcement	992	1,125
TOTAL LIABILITIES AND FUND BALANCE	\$ 992	\$ 1,125

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LIQUOR LAW ENFORCEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
State Grants				
Liquor Licenses	\$ 1,743	\$ 1,743	\$ 2,414	\$ 1,857
<u>EXPENDITURES</u>				
Public Safety				
Law Enforcement				
Personal Services				
Salaries and Wages	2,400	2,400	2,400	2,400
Supplies				
Operating Supplies	150	150	0	0
Other Services and Charges				
Transportation	100	100	0	0
Insurance and Bonds	150	150	147	135
Miscellaneous	200	200	0	0
Total Expenditures	3,000	3,000	2,547	2,535
Excess of Revenues Over (Under) Expenditures	(1,257)	(1,257)	(133)	(678)
<u>OTHER FINANCING SOURCES</u>				
Transfers In				
General Fund	1,000	1,000	0	1,000
Net Change in Fund Balance	(257)	(257)	(133)	322
<u>FUND BALANCE</u> - Beginning of Year	826	826	1,125	803
<u>FUND BALANCE</u> - End of Year	\$ 569	\$ 569	\$ 992	\$ 1,125

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND

COMPARATIVE BALANCE SHEET
JUNE 30,

	2005	2004
<u>ASSETS</u>		
Cash		
Commercial Account	\$ 3,592	\$ 2,456
Money Market Account	72,022	81,918
TOTAL ASSETS	<u>\$ 75,614</u>	<u>\$ 84,374</u>
<u>LIABILITIES AND FUND BALANCE</u>		
<u>LIABILITIES</u>		
Accounts Payable	\$ 28,470	\$ 23,934
<u>FUND BALANCE</u>		
Reserved for Lake Improvement	47,144	60,440
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 75,614</u>	<u>\$ 84,374</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

LAKE IMPROVEMENT FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL

YEAR ENDED JUNE 30, 2005
WITH COMPARATIVE ACTUAL AMOUNTS FOR THE YEAR ENDED JUNE 30, 2004

	<u>2005 BUDGET</u>		<u>2005</u>	<u>2004</u>
	<u>ORIGINAL</u>	<u>FINAL</u>	<u>ACTUAL</u>	<u>ACTUAL</u>
<u>REVENUES</u>				
Contributions from Local Units				
Selma Township	\$ 25,000	\$ 25,000	\$ 26,625	\$ 24,150
City of Cadillac	1,000	1,000	1,100	775
Interest and Rents				
Interest Earnings	219	219	537	311
Other Revenue				
Special Assessments	32,000	32,000	33,850	33,425
Total Revenues	58,219	58,219	62,112	58,661
<u>EXPENDITURES</u>				
Recreation and Cultural				
Lake Improvement				
Supplies				
Office Supplies	300	300	863	0
Other Services and Charges				
Insurance	650	650	733	675
Professional Services	14,000	14,000	12,245	33,530
Weed Harvesting and Chemicals	70,000	70,000	59,954	29,154
Printing and Publishing	1,000	1,000	1,613	691
Miscellaneous	500	500	0	0
Total Expenditures	86,450	86,450	75,408	64,050
Excess of Revenues				
Over (Under) Expenditures	(28,231)	(28,231)	(13,296)	(5,389)
<u>FUND BALANCE</u> - Beginning of Year	80,280	80,280	60,440	65,829
<u>FUND BALANCE</u> - End of Year	\$ 52,049	\$ 52,049	\$ 47,144	\$ 60,440

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND

BALANCE SHEET
JUNE 30, 2005

<u>ASSETS</u>	
Cash	
Certificate of Deposit	<u>\$ 166,191</u>
<u>LIABILITIES AND FUND BALANCE</u>	
<u>LIABILITIES</u>	\$ 0
<u>FUND BALANCE</u>	
Designated for Public Improvements	<u>166,191</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 166,191</u></u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CAPITAL IMPROVEMENT REVOLVING FUND

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2005

REVENUES

Interest and Rents	
Interest Earnings	\$ 1,191

EXPENDITURES

0

Excess of Revenues Over	
(Under) Expenditures	<u>1,191</u>

OTHER FINANCING SOURCES (USES)

Transfers In	
General Fund	<u>165,000</u>

Net Change in Fund Balance	166,191
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<u>FUND BALANCE</u> - Beginning of Year	<u>0</u>
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<u>FUND BALANCE</u> - End of Year	<u>\$ 166,191</u>
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CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF NET ASSETS
JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>ASSETS</u>		
<u>CURRENT ASSETS</u>		
Cash		
Money Market Account	\$ 30,707	\$ 31,941
Accounts Receivable		
Service Billings	31,580	27,345
Interest Receivable	2,131	2,359
Investments		
Short-Term Investment Fund and U.S. Treasury Notes	584,404	573,184
	<u>648,822</u>	<u>634,829</u>
Total Current Assets		
<u>CAPITAL ASSETS</u>		
Improvements Other Than Buildings	1,269,562	1,269,562
Less Accumulated Depreciation	660,171	634,780
	<u>609,391</u>	<u>634,782</u>
Net Capital Assets		
	<u>\$ 1,258,213</u>	<u>\$ 1,269,611</u>
<u>TOTAL ASSETS</u>		
<u>LIABILITIES AND NET ASSETS</u>		
<u>LIABILITIES</u>	<u>\$ 0</u>	<u>\$ 0</u>
<u>NET ASSETS</u>		
Invested in Capital Assets	609,391	634,782
Unrestricted	648,822	634,829
	<u>1,258,213</u>	<u>1,269,611</u>
Total Net Assets		
	<u>\$ 1,258,213</u>	<u>\$ 1,269,611</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>		

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
YEAR ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>OPERATING REVENUES</u>		
Charges for Services		
Sewer Use Charges	\$ 103,513	\$ 107,425
<u>OPERATING EXPENSES</u>		
Public Works		
Insurance	0	135
Professional Services	0	895
Contracted Services		
Operation and Maintenance		
Wexford County Department of Public Works	100,839	100,959
Depreciation	25,391	25,391
Miscellaneous	22	7
Total Operating Expenses	<u>126,252</u>	<u>127,387</u>
Operating Income (Loss)	<u>(22,739)</u>	<u>(19,962)</u>
<u>NONOPERATING REVENUES</u>		
Interest Income	20,413	19,869
Net Increase (Decrease) in the Fair Value of Investments	<u>(9,072)</u>	<u>(16,636)</u>
Total Nonoperating Revenues (Expenses)	<u>11,341</u>	<u>3,233</u>
Change in Net Assets	(11,398)	(16,729)
<u>TOTAL NET ASSETS</u> - Beginning of Year	<u>1,269,611</u>	<u>1,286,340</u>
<u>TOTAL NET ASSETS</u> - End of Year	<u>\$ 1,258,213</u>	<u>\$ 1,269,611</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY

CADILLAC, MICHIGAN

SEWER FUND

COMPARATIVE STATEMENT OF CASH FLOWS

YEAR ENDED JUNE 30,

	<u>2005</u>	<u>2004</u>
<u>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u>		
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 99,278	\$ 105,259
Cash Payments to Suppliers for Goods and Services	(100,861)	(101,996)
	<hr/>	<hr/>
Net Cash Provided (Used) by Operating Activities	(1,583)	3,263
	<hr/>	<hr/>
Cash Flows from Investing Activities:		
Interest on Investments	20,641	19,774
Net Increase (Decrease) in Fair Value of Investments	(9,072)	(16,636)
Proceeds from Sale of Short-Term Investment Fund and U.S. Treasury Notes	100,000	0
Acquisition of Short-Term Investment Fund and U.S. Treasury Notes	(111,220)	(3,419)
	<hr/>	<hr/>
Net Cash Provided (Used) by Investing Activities	349	(281)
	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,234)	2,982
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - Beginning of Year	31,941	28,959
	<hr/>	<hr/>
<u>CASH AND CASH EQUIVALENTS</u> - End of Year	<u>\$ 30,707</u>	<u>\$ 31,941</u>
	<hr/>	<hr/>
<u>RECONCILIATION OF OPERATING INCOME</u>		
<u>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</u>		
Operating Income (Loss)	<u>\$ (22,739)</u>	<u>\$ (19,962)</u>
	<hr/>	<hr/>
Adjustments to Reconcile Operating Income to Net		
Cash Provided by Operating Activities		
Depreciation	25,391	25,391
(Increase) Decrease in Current Assets		
Accounts Receivable - Service Billings	(4,235)	(2,166)
	<hr/>	<hr/>
Total Adjustments	21,156	23,225
	<hr/>	<hr/>
NET CASH PROVIDED (USED) BY		
OPERATING ACTIVITIES	<u>\$ (1,583)</u>	<u>\$ 3,263</u>
	<hr/>	<hr/>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

AGENCY FUNDS

COMBINING BALANCE SHEET
JUNE 30, 2005

	AGENCY	CURRENT TAX COLLECTION	TOTAL
<u>ASSETS</u>			
Cash	\$ 0	\$ 54,961	\$ 54,961
<u>LIABILITIES</u>			
Due to Other Funds	0	54,961	54,961

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

AGENCY FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE			BALANCE
	7/1/2004	ADDITIONS	DEDUCTIONS	6/30/2005
<u>ASSETS</u>				
Cash	\$ 0	\$ 42,492	\$ 42,492	\$ 0
<u>LIABILITIES</u>				
Payroll Withholdings	\$ 0	\$ 42,492	\$ 42,492	\$ 0
TOTAL LIABILITIES	\$ 0	\$ 42,492	\$ 42,492	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2005

	BALANCE			BALANCE
	7/1/2004	ADDITIONS	DEDUCTIONS	6/30/2005
<u>ASSETS</u>				
Cash	\$ 0	\$ 4,883,502	\$ 4,883,502	\$ 0
<u>LIABILITIES</u>				
Accounts Payable	\$ 0	\$ 9,100	\$ (9,100)	\$ 0
Due to Other Funds	0	188,342	(188,342)	0
Due to Other Governments	0	2,343,132	(2,343,132)	0
TOTAL LIABILITIES	\$ 0	\$ 2,540,574	\$ (2,540,574)	\$ 0

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2004 SUMMER PROPERTY TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

State Education Tax	\$ 499,424	
Schools		
Cadillac Area Public Schools	<u>360,989</u>	860,413

TAXES COLLECTED

State Education Tax	468,275	
Schools		
Cadillac Area Public Schools	<u>333,986</u>	<u>802,261</u>

TAXES RETURNED DELINQUENT

State Education Tax	31,149	
Schools		
Cadillac Area Public Schools	<u>27,003</u>	<u>\$ 58,152</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
JUNE 30, 2005

TAXES ASSESSED

County	\$	845,831	
Township			
Operating		64,489	
Fire		80,436	
Lake Mitchell Special Assessment		33,850	
Delinquent Sewer Service Billings		6,537	
Delinquent Road Assessments		1,990	
Schools			
Cadillac Area Public Schools		360,987	
Pine River Area Schools		6,475	
Intermediate School			
Wexford-Missaukee Intermediate		<u>498,198</u>	1,898,793

TAXES COLLECTED

County	760,770	
Township		
Operating	58,004	
Fire	72,348	
Lake Mitchell Special Assessment	31,525	
Delinquent Sewer Service Billings	845	
Delinquent Road Assessments	0	
Schools		
Cadillac Area Public Schools	316,433	
Pine River Area Schools	5,568	
Intermediate School		
Wexford-Missaukee Intermediate	<u>448,096</u>	<u>1,693,589</u>

CHERRY GROVE TOWNSHIP, WEXFORD COUNTY
CADILLAC, MICHIGAN

STATEMENT OF 2004 WINTER PROPERTY TAX ROLL
JUNE 30, 2005

TAXES RETURNED DELINQUENT

County	85,061	
Township		
Operating	6,485	
Fire	8,088	
Lake Mitchell Special Assessment	2,325	
Delinquent Sewer Service Billings	5,692	
Delinquent Road Assessments	1,990	
Schools		
Cadillac Area Public Schools	44,554	
Pine River Area Schools	907	
Intermediate School		
Wexford-Missaukee Intermediate	<u>50,102</u>	<u>\$ 205,204</u>

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Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

September 8, 2005

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

During the course of our audit of the basic financial statements of Cherry Grove Township for the year ended June 30, 2005, we noted the following:

Budgeting Procedures

Certain activities exceeded budgeted amounts during the year. We recommend budgets be monitored during the year and amended as necessary to be in compliance with P.A. 621. Additionally, the Township established a new special revenue fund during the year and no formal budget was adopted. We recommend that each year the Township adopt a budget for this fund.

Allocation of Expense to Sewer Fund

During the year, we noted certain expenses that could have been allocated to the Township Sewer Fund. We believe the Township should allocate these expenses where appropriate, in order to properly charge each fund its share of expenditures.

Condition of Accounting Records

The accounting records were again found to be in good condition. However, the prior year audit adjusting journal entries were never recorded by the Township. We recommend that after reviewing and accepting proposed audit entries, these entries actually be recorded in the Township records.

Due (To) From Other Funds

Currently at June 30, 2005, the records of the Township reflect an amount due from the General Fund to the Fire Fund. This amount represents the net effect of reconciling the new pickup truck payments to the spread of the expense by percentages determined by the Township Board.

We would like to thank the board for its continued confidence in our firm and to thank the township officers for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

BAIRD, COTTER AND BISHOP, P.C.

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CERTIFIED PUBLIC ACCOUNTANTS

September 8, 2005

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Cherry Grove Township
Wexford County
Cadillac, Michigan

In planning and performing our audit of the financial statements of Cherry Grove Township, Wexford County, Cadillac, Michigan for the year ended June 30, 2005, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the State make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation. The Township has implemented all reasonable internal controls and when consideration is made of the cost of implementing additional controls versus the benefit to be derived by additional controls, the costs far outweigh the benefits.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is not a material weakness

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.